



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

November 26, 2003

H.R. 1683

Veterans' Compensation Cost-Of-Living Adjustment Act of 2003

As cleared by the Congress on November 21, 2003

H.R. 1683 would increase the amounts paid to veterans for disability compensation and to their survivors for dependency and indemnity compensation by the same cost-of-living adjustment (COLA) payable to Social Security recipients. The increase would take effect on December 1, 2003, and the results of the adjustment would be rounded to the next lower dollar.

The COLA that would be authorized by this bill is assumed in the budget resolution baseline, pursuant to section 257 of the Balanced Budget and Emergency Deficit Control Act, and savings from rounding it down were achieved by the Balanced Budget Act of 1997 (Public Law 105-33). The authority to round down the COLA increase was extended to 2011 by the Veterans Education and Benefits Expansion Act of 2001 (Public Law 107-103).

Because the COLA is assumed in the baseline, the COLA provision would have no budgetary effect relative to the baseline. Relative to current law, CBO estimates that the act would increase spending for these programs by about \$400 million in 2004. (The annualized cost would be about \$530 million in subsequent years.) This estimate is based upon the Social Security Administration announcement that the COLA increase effective on December 1, 2003, will be 2.1 percent. As a result, the act will have no effect on direct spending relative to the baseline and thus does not affect scorekeeping totals for direct spending.

On April 25, 2003, CBO transmitted a cost estimate for H.R. 1683, as introduced, and on May 16, 2003, CBO transmitted a cost estimate for H.R. 1683, as ordered reported by the House Committee on Veterans' Affairs. On October 2, 2003, CBO also transmitted an estimate for S. 1131, an identically titled bill, as ordered reported by the Senate Committee on Veterans' Affairs. All versions of the legislation are identical; however, CBO's earlier estimates of the increase in direct spending relative to current law assumed a 2.2 percent COLA increase.

This estimate was prepared by Dwayne M. Wright. This estimate was approved by Peter H. Fontaine, Deputy Assistant Director for Budget Analysis.